



Republican Policy Committee

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Tax Expenditures

Democrats Target Middle Class With Substitute Amendments on S. 4

Democrats, led by Minority Leader Tom Daschle, Jim Exon, and John Glenn, have indicated that they will offer an amendment to the Dole substitute to S. 4, the line-item veto bill, which essentially will give the President simply expedited rescission authority.

Democrats will focus much of their fire on efforts to put tax expenditures in the rescission cross hairs. According to the President's FY 1996 budget, "tax expenditures are revenue losses due to preferential provisions of the Federal tax laws, such as special exclusions, exemptions, deductions, credits, deferrals, or tax rates."

While Democrats often focus their rhetorical hunting scopes on capital gains as the "big game" of tax expenditures, they rarely pull other examples from their arsenal. In fact, the Federal government has a long list of tax expenditures which benefit the middle class, changes to which could be subject to the Democrats' rescission idea. According to the President's FY96 budget, examples include the following (revenue "loss" estimates are in billions):

TAX EXPENDITURE	FY96 revenue loss	FY96-2000 revenue loss
Tax-free treatment of employer-provided health care	\$66.6	\$398.1
Exclusion of employer pension plan contributions, earnings	59.0	300
Deductibility of mortgage interest on owner-occupied homes	54.2	303.4
Deductibility of charitable contributions	24.1	135.2
Deferral of capital gains on home sales	17.9	93.9
Exclusion of OASI benefits for retired workers	17.4	94.9
Deductibility of State, local property tax on homes	15.7	87.8
Exclusion of interest on life insurance savings	11.2	64.8
Net exclusion of IRA contributions, earnings	6.4	27.1
Earned income tax credit	5.7	33.2
Exclusion of cap gains on home sales for people 55 years +	4.9	25.2
Exclusion of workmen's compensation benefits	4.9	27.0
Net exclusion of Keogh plan contributions, earnings	4.8	28.1
Deductibility of medical expenses	4.0	23.4
Exclusion of SS benefits for dependents, survivors	3.7	20.8

Credit for child-, dependent-care expenses	3.0	15.6
Exclusion of SS disability insurance benefits	2.1	12.7
Exclusion of benefits, allowances to armed forces personnel	2.0	10.2
Exclusion of reimbursed employee parking expenses	2.0	10.9
Exclusion of veterans' disability compensation	1.9	10.4
Additional deduction for the elderly	1.5	7.7
Deferral of interest on savings bonds	1.5	8.7
Exemption of credit union income	.9	5.8
Exclusion of scholarship, fellowship income	.8	4.3
Parental personal exemption for students 19 years +	.8	4.5
Exclusion of employer-provided child care	.8	4.5
Exclusion of public assistance benefits	.6	3.5
Empowerment zones	.4	2.7
Exclusion of railroad retirement system benefits	.4	2.2
Targeted jobs credit	.3	.4
Deductibility of casualty losses	.3	1.6
Premiums on accident, disability insurance	.2	.9
Exclusion on military disability pensions	.1	.7
Exclusion of coal miners benefits	.09	.4
Exclusion of GI bill benefits	.08	.4
Exclusion of veterans' pensions	.07	.4
Tax credit for elderly, disabled	.06	.3
Exclusion of employer-provided transit passes	.05	.4
Exclusion for certain foster care payments	.04	.2
Additional deductions for the blind	.04	.2
Exclusion of employer-provided death benefits	.04	.2

Source: Budget of the United States Government, Fiscal Year 1996. Analytical Perspectives. Pages 39, 64-65.

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